

# Policies & Procedures

## Terms and Conditions of Contract

### Table of Contents

#### Section 1

<b>Introduction</b> .....	2
1.1 Policies Incorporated into Associate Agreement.....	2
1.2 Purpose.....	2
1.3 Changes.....	2
1.4 Delays.....	2
1.5 Policies and Provisions Severable.....	2
1.6 Titles Not Substantive.....	2
1.7 Waiver.....	2

#### Section 2

<b>Becoming an Associate</b> .....	2
2.1 Requirements to Become a USANA Associate.....	2
2.2 Starter Kit (BDS/eBDS).....	2
2.3 Identification and Associate Number.....	2
2.4 Temporary Enrolment.....	2
2.5 Associate Benefits.....	2
2.6 Renewal of Associateship.....	3

#### Section 3

<b>Operating a USANA Associateship</b> .....	3
3.1 Actions of Household Members or Affiliated Individuals.....	3
3.2 Adherence to the USANA Binary Compensation Plan.....	3
3.3 Advertising.....	3
3.3.1 In General.....	3
3.3.2 Television and Radio.....	3
3.3.3 Media Inquiries.....	3
3.3.4 Trademarks and Copyrights.....	3
3.3.5 Use of Associate Name, Likeness, and Image.....	4
3.4 Associate Claims and Representations.....	4
3.4.1 Product Claims.....	4
3.4.2 Income Claims.....	4
3.5 Commercial Outlets.....	4
3.6 Unauthorised Recruiting.....	4
3.6.1 Post Cancellation Solicitation Prohibited.....	4
3.6.2 Downline Genealogy Reports.....	4
3.7 Corporation, Partnerships, and Trusts.....	5
3.8 Deceptive Practices.....	5
3.9 Independent Contractor Status.....	5
3.10 Insurance.....	5
3.10.1 Business Pursuits Coverage.....	5
3.10.2 Product Liability Coverage.....	5
3.11 International.....	5
3.12 Adherence to Laws and Ordinances.....	5
3.13 One Associateship.....	5
3.14 Repackaging and Relabelling Prohibited.....	5
3.15 Sale, Transfer, or Assignment of Associateship.....	5
3.16 Separation of an Associateship.....	6
3.17 Succession.....	6
3.18 Taxes.....	6
3.19 Telephone and E-Mail Solicitation.....	6

3.20 Territories.....	6
3.21 Trade Shows and Expositions.....	6
3.22 Transfer of Sponsorship.....	6
3.22.1 Conflicting Enrolments.....	6
3.22.2 Cross-line Raiding.....	6

#### Section 4

<b>Responsibilities of Associates and Sponsors</b> .....	7
4.1 Ongoing Supervision, Training, and Sales.....	7
4.2 Non-disparagement.....	7
4.3 Holding Applications or Orders.....	7
4.4 Reporting Policy Violations.....	7

#### Section 5

<b>Sales Requirements</b> .....	7
5.1 Product Sales.....	7
5.2 Retail Customer Sales.....	7
5.3 Excessive Purchases of Inventory Prohibited.....	7
5.4 Deposits.....	7

#### Section 6

<b>Bonuses and Commissions</b> .....	7
6.1 Bonus and Commission Cycles.....	7
6.2 Adjustment of Bonuses and Commissions.....	7
6.3 Loss of Rights to Commissions.....	8
6.4 Unclaimed Commissions.....	8

#### Section 7

<b>Product Guarantees, Returns, and Inventory Repurchase</b> .....	8
7.1 Product Exchange Guarantee.....	8
7.2 Thirty (30) Day Return Policy.....	8
7.2.1 Retail Customers.....	8
7.2.2 Preferred Customers.....	8
7.2.3 Associates.....	8
7.3 All Other Returns.....	8
7.4 Procedures for All Returns and Repurchases.....	8

#### Section 8

<b>Dispute Resolution and Disciplinary Proceedings</b> .....	8
8.1 Disputes Between Associates.....	8
8.1.1 Grievances and Complaints.....	8
8.1.2 Compliance Department Review.....	9
8.2 Disputes Between USANA and Associates.....	9
8.2.1 Mediation and Arbitration.....	9
8.2.2 Jurisdiction, Venue, and Choice of Law.....	9
8.3 Disciplinary Actions.....	9

#### Section 9

<b>Ordering</b> .....	9
9.1 Ordering Methods.....	9
9.2 Autoship Program.....	9

9.3 General Order Policies.....	9
9.4 Purchasing USANA Products.....	9
9.5 Back Order Policy.....	10
9.6 Shipping Discrepancies and Damage Claims.....	10

#### Section 10

<b>Payment and Shipping</b> .....	10
10.1 Methods of Payment.....	10
10.1.1 Bank Cheque or Money Order.....	10
10.1.2 Personal Cheque.....	10
10.1.3 Credit Cards.....	10
10.1.4 Electronic Funds Transfer Payment Program.....	10
10.2 Returned Cheques, Insufficient Funds, and Declined Credit.....	10
10.3 Autoship Program.....	10

#### Section 11

<b>Associate Services</b> .....	10
11.1 Changes to the Associateship.....	10
11.1.1 In General.....	10
11.1.2 Addition of Co-Applicants.....	10
11.2 Downline Genealogy Reports and Commission Statements.....	10
11.2.1 Downline Genealogy Reports.....	10
11.2.2 Commission Statements.....	10
11.3 Errors or Questions.....	10
11.4 Resolving Problems.....	10

#### Section 12

<b>Inactivity and Cancellation Policies</b> .....	11
12.1 Inactivity.....	11
12.2 Involuntarily Cancellation.....	11
12.3 Written Cancellation.....	11
12.4 Effect of Cancellation.....	11

#### Section 13

<b>Definitions</b> .....	11-12
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# Policies & Procedures

## Terms and Conditions of Contract

### SECTION 1 — INTRODUCTION

#### 1.1 POLICIES INCORPORATED INTO ASSOCIATE AGREEMENT

These Policies and Procedures, in their present form and as amended from time to time at USANA's discretion, are incorporated into the USANA Associate Agreement. They are the terms and conditions of the Associate's contract with USANA. It is the responsibility of each Associate to read, understand, adhere to, and ensure that he/she is aware of and operating under the most current version of these Policies and Procedures. You must also comply with the description of the Binary Compensation Plan and honour all applicable laws in the country in which you operate your USANA business.

The words "company" and "USANA", when used in these documents, refer to USANA Australia Pty Ltd and USANA Health Sciences (NZ) Corporation in each of the Australian and New Zealand markets respectively, and the term "Distributor" means "Associate". An Associate is an independent contractor, not an employee of USANA.

#### 1.2 PURPOSE

The purpose of the Associate Agreement is:

- To define the relationship between USANA and the Independent Associate;
- To set standards of acceptable business behaviour;
- To assist Associates in building and protecting their business.

#### 1.3 CHANGES

The Company may from time to time amend the terms and conditions of the Associate Agreement, Policies and Procedures, Compensation Plan and Price List. Amendments shall be effective upon notification of the changes in official USANA publications distributed to all active Associates.

#### 1.4 DELAYS

USANA shall not be responsible for delays and failures in performing its obligations due to circumstances beyond its reasonable control, such as strikes, labour difficulties, riots, war, fire, death, curtailment or interruption of a source of supply, government decrees or orders, etc.

#### 1.5 POLICIES AND PROVISIONS SEVERABLE

If any provision of the Associate Agreement as it currently exists or as may be amended is found to be invalid, illegal, or unenforceable for any reason, only the invalid provision will be severed from the Associate Agreement; the remaining terms and provisions shall remain in full force and effect and shall be construed as if such invalid, illegal, or unenforceable provision never comprised a part of the Associate Agreement.

#### 1.6 TITLES NOT SUBSTANTIVE

The titles and headings to these Policies are for reference purposes only and do not constitute, and shall not be construed as, substantive terms of the Associate Agreement.

#### 1.7 WAIVER

USANA never forfeits its right to require Associate compliance with the Associate Agreement or with applicable laws and regulations governing business conduct. Only in rare circumstances will a policy be waived, and such waivers will be conveyed in writing by the Compliance Officer or an officer of the company. The waiver will apply only to that specific case.

### SECTION 2 — BECOMING AN ASSOCIATE

#### 2.1 REQUIREMENTS TO BECOME A USANA ASSOCIATE:

- Be at least the age of majority in your country of residence;
- Reside in a geographic area where USANA has been approved for business;
- Read the USANA Policies and Procedures and Binary Compensation Plan;
- Submit an original signed Associate Application and Agreement to USANA; and
- Purchase a USANA Starter Kit (BDS/eBDS) for a nominal cost (unless prohibited by law).
- Comply with all immigration laws governing business operations and earning an income if not a citizen of Australia or New Zealand.
- As an independent contractor, assume all appropriate responsibilities for accounting for income tax, GST, insurances and the like in respect of the Associateship.
- USANA reserves the right to accept or reject any application for any reason.

#### 2.2 STARTER KIT (BDS/eBDS)

No person is required to purchase USANA products to become an Associate. However, to familiarise new Associates with USANA products, services, sales techniques, sales aids, and other matters, USANA requires new Associates to purchase a Starter Kit (BDS/eBDS) except where prohibited by law. USANA will repurchase any resaleable Starter Kits (BDS or eBDS) from Associates who terminate their Associate Agreement within thirty (30) days.

#### 2.3 IDENTIFICATION AND ASSOCIATE NUMBER

When USANA receives and accepts an Associate's original Application and Agreement, USANA will assign a unique Associate Number to that Associate. Associates must use their Associate Number whenever they call a USANA Associate Services Representative to place orders and track commissions and bonuses.

#### 2.4 TEMPORARY ENROLMENT

After signing the Associate Application and Agreement, an Associate applicant may enrol by telephone or over the Internet to receive a temporary Associate Number and temporary authorisation for a new Associateship while the written application is en route to USANA. The applicant must provide USANA with all the necessary information to complete the Associate Application and Agreement. The applicant may order a Starter Kit (BDS/eBDS) at that time using a valid credit card or bank draft.

The new Associate's temporary Associate Number and authorisation will be valid for twenty-one (21) days, pending USANA's receipt of the Associate's original Application and Agreement. Once USANA receives the original Associate Application and Agreement, USANA will assign a permanent Associate Number to the Associate and extend the initial Associateship authorisation period to one full year.

#### 2.5 ASSOCIATE BENEFITS

Once USANA accepts an Associate's Application and Agreement, the benefits of the Binary Compensation Plan and the Associate Agreement are available to the new Associate. These benefits include the right to:

- Purchase USANA products and services at the Associate price;
- Participate in the USANA Binary Compensation Plan (receive bonuses and commissions, if eligible);
- Sponsor other individuals as Preferred Customers or Associates into

# Policies & Procedures

## Terms and Conditions of Contract

the USANA business and thereby build a Downline Organisation and progress through the USANA Binary Compensation Plan;

- Receive USANA literature and other USANA communications;
- Participate in USANA-sponsored support, service, training, motivational, and recognition functions upon payment of appropriate charges, if applicable;
- Participate in promotional and incentive contests and programs sponsored by USANA for its Associates.
- Associates may retail USANA products or services and profit from these sales.

### 2.6 RENEWAL OF ASSOCIATESHIP

USANA charges Associates an annual Associateship renewal fee of AU\$33.00 or NZ\$37.00 plus any applicable taxes. USANA will automatically charge the fee to the Associate's credit card or nominated bank account on file for Autoship with USANA on the anniversary date of the Associate's application. Associates without a credit card or nominated bank account on file with USANA must renew by mailing a cheque or money order to USANA. The annual renewal fee will:

- Automatically renew your subscription to USANA publications;
- Renew your Associate Agreement and maintain your line of sponsorship; and
- Continue your entitlement to participate in USANA's Binary Compensation Plan; purchase USANA products; enjoy USANA service support programs; participate in company promotions, contests, and recognition; and attend Company events.

## SECTION 3 — OPERATING A USANA ASSOCIATESHIP

### 3.1 ACTIONS OF HOUSEHOLD MEMBERS OR AFFILIATED INDIVIDUALS

If any member of an Associate's immediate household engages in any activity which, if performed by the Associate would violate any provision of the Associate Agreement, such activity will be deemed a violation by the Associate.

### 3.2 ADHERENCE TO THE USANA BINARY COMPENSATION PLAN

Associates must adhere to the terms of the USANA Binary Compensation Plan as set forth in official USANA literature. Associates shall not offer the USANA opportunity through, or in combination with, any other opportunity or unapproved method of marketing. Associates shall not require or encourage other current or prospective Preferred Customers or Associates to participate in USANA in any manner that varies from the program as set forth in official USANA literature. Associates shall not require or encourage other current or prospective Preferred Customers or Associates to execute any agreement or contract other than official USANA agreements and contracts in order to become a USANA Associate. Similarly, Associates shall not require or encourage other current or prospective Preferred Customers or Associates to make any purchase from, or payment to, any individual or other entity to participate in the USANA Binary Compensation Plan, other than those purchases or payments identified as recommended or required in official USANA literature.

### 3.3 ADVERTISING

#### 3.3.1 IN GENERAL

Associates must avoid all discourteous, deceptive, misleading, illegal, unethical, or immoral conduct or practices in their marketing and promotion of USANA, the USANA opportunity, the Binary Compensation Plan, and USANA's products.

Only those Associates who have achieved the rank of Gold Director or

higher may produce individual sales, marketing, and support materials to market or promote USANA, the USANA opportunity, the Binary Compensation Plan, USANA's products, or their USANA businesses. All other Associates may only use sales aids and support materials produced or currently approved by USANA. Sales, marketing, and support materials include, but are not limited to, training and recruiting information, brochures, flyers, pamphlets, posters, postcards, letters, classified advertisements, etc. promoting USANA's products and programs, as well as e-mail messages, voice mail message recordings, and Internet Web sites used to publicise USANA, its products, services, or Binary Compensation Plan.

Any Associate who has achieved the rank of Gold Director or above who desires to create his/her own promotional and marketing materials must submit a copy of the proposed materials to USANA for review and approval before he/she may use the information to promote his/her business or the USANA opportunity. Upon receipt of the proposed promotional material, USANA will review the information to determine the appropriateness of the material's form and content. USANA's review of the proposed promotional material will be subject to a review fee. USANA will promptly notify the Gold or higher ranking Director in writing regarding the Company's decision to approve or disapprove the material for use in promoting and supporting his/her USANA business activities. Gold and higher ranking Directors may only use those sales, marketing, and support materials that USANA has expressly approved.

#### 3.3.2 TELEVISION AND RADIO

Associates may not advertise on television and radio under policy 3.3.1 except with USANA's express written approval.

#### 3.3.3 MEDIA INQUIRIES

Associates must refer all media inquiries regarding USANA to the USANA Compliance Department. This will ensure that accurate and consistent information reaches the general public.

#### 3.3.4 TRADEMARKS AND COPYRIGHTS

- An Associate may not use the USANA trademark or trade name or corporate logo to promote their independent business. Rather, they must use the "Independent USANA Associates" logo to promote their business. A reproducible copy of the logo can be obtained from USANA. However, this logo may only be used on personal stationery and specifically approved literature but not on clothing, signage, or motor vehicles.
- Associates may describe themselves as an "Independent USANA Associates" in the business pages of the telephone directory.
- Associates should not answer the telephone in any manner that might indicate or suggest that the caller has reached a USANA corporate office.
- Associates may not record or reproduce materials from any USANA corporate function, event, speech, etc.
- Associates may not record, reproduce, or copy any presentation or speech by any USANA spokesperson, representative, speaker, officer, director, or other Associates.
- Associates may not reproduce or copy any recording of a USANA-produced media presentation including audio tapes, videotapes, CDs, etc.
- Associates may not publish, or cause to be published, in any written or electronic media, the name, photograph or likeness, copyrighted materials, or property of individuals associated with USANA without express written authorisation from the individual and/or USANA.
- Associates may not publish, or cause to be published, in any written form or electronic media, the copyrighted materials or property of USANA, without express written authorisation from USANA.

# Policies & Procedures

## Terms and Conditions of Contract

### 3.3.5 USE OF ASSOCIATE NAME, LIKENESS, AND IMAGE

Associate consents to USANA's use of his/her name, testimonial (or other statements about USANA, its products or opportunity in printed or recorded form, including translations, paraphrases, and electronic reproductions of the same), and image or likeness (as produced or recorded in photographic, digital, electronic, video or film media) in connection with advertising, promoting, and publicising the USANA opportunity or products, or any USANA-related or -sponsored events.

### 3.4 ASSOCIATE CLAIMS AND REPRESENTATIONS

#### 3.4.1 PRODUCT CLAIMS

USANA Associates may not make claims that USANA products have therapeutic or curative properties except those contained in official USANA literature. In particular, no Associates may make any claim that USANA products are useful in the cure, treatment, diagnosis, mitigation, or prevention of any diseases. Such statements can be perceived as medical or drug claims. Not only are such claims violative of the Associate Agreement, they also violate the laws and regulations of Australia, New Zealand and other jurisdictions.

#### 3.4.2 INCOME CLAIMS

Associates may not make income projections or claims or disclose their USANA income (including the showing of cheques, copies of cheques, or bank statements) when presenting or discussing the USANA opportunity or Binary Compensation Plan, except as set forth in official USANA literature.

### 3.5 COMMERCIAL OUTLETS

Associates may display and retail USANA products in commercial outlets where professional services are the primary source of revenue and product sales are secondary. Approved service-oriented establishments may include (but are not limited to) health spas, beauty shops, and physicians' and chiropractors' offices. Unapproved retail-oriented establishments may include (but are not limited to) retail stores, Internet auction sites, and pharmacies. Associates are contracted to sell products directly to end consumers, not wholesale them to third party retail outlets.

### 3.6 UNAUTHORISED RECRUITING

As an independent contractor, USANA Associates may participate in other direct selling or network marketing or multilevel marketing ventures (collectively, "multilevel marketing"), and Associates may engage in selling activities related to non-USANA products and services, if they desire to do so. Although an Associate may elect to participate in another multilevel marketing opportunity, he/she is prohibited from unauthorised recruiting activities, which include the following:

- Recruiting or enrolling USANA customers or Associates for other multilevel marketing business ventures, either directly or through a third party. This includes, but is not limited to, presenting or assisting in the presentation of other multilevel marketing business ventures to any USANA Preferred Customer or Associate, or implicitly or explicitly encouraging any USANA Preferred Customer or Associate to join other business ventures. It is a violation of this policy to recruit or enrol a USANA Preferred Customer or Associate for another multilevel marketing business, even if the Associate does not know that the prospect is also a USANA Preferred Customer or Associate;
- Producing any literature, tapes, or promotional material of any nature for another multilevel marketing business which is used by the Associate or any third person to recruit USANA Preferred Customers or Associates for that business venture;
- Selling, offering to sell, or promoting any competing products or services to USANA Preferred Customers or Associates. Any product or services in the same generic category as a USANA product or

service is deemed to be competing, (e.g., Any dietary supplement is in the same generic category as USANA's dietary supplements and is, therefore, a competing product, regardless of differences in cost, quality, ingredients, or nutrient content);

- Offering USANA products or promoting the USANA Binary Compensation Plan in conjunction with any non-USANA business plan, opportunity, product, or incentive;
- Offering any non-USANA products or opportunities in conjunction with the offering of USANA products or business plan or at any USANA meeting, seminar, launch, convention, or other USANA function; or
- Where a prospective Associate or Preferred Customer accompanies an Associate to a USANA meeting or function, no other USANA Associate may recruit the prospect to enrol in USANA or any other multilevel marketing business for a period of fourteen (14) days or unless and until the Associate who brought the prospect to the function advises the other USANA Associate that the prospect has elected not to enrol in USANA and that the Associate is no longer recruiting the prospect to enrol in USANA, whichever occurs first. USANA will immediately cancel the Associateship of any Associate who violates this provision. Violations of this policy are especially detrimental to the growth and sales of other Associates' USANA businesses and to USANA's business.
- Where an Associate participates in other multilevel marketing ventures they may not participate in USANA's Leadership Bonus Program. Nor may they be invited to participate in USANA leadership meetings, conferences, qualification seminars, and the like.

#### 3.6.1 POST CANCELLATION SOLICITATION PROHIBITED

A former Associate shall not directly or through a third party solicit any USANA Associate or Preferred Customer to enrol in any direct sales, network marketing, or multilevel marketing program or opportunity for a period of one (1) year after the cancellation of an individual or entity's Associate Agreement. This provision shall survive the expiration of the Associate's obligations to USANA, pursuant to the Associate Agreement.

#### 3.6.2 DOWNLINE GENEALOGY REPORTS

The USANA Downline Genealogy Reports are confidential and contain proprietary business trade secrets. An Associate may not use the reports for any purpose other than for developing their USANA business. Where an Associate participates in other multilevel marketing ventures, he/she is not eligible to have access to Downline Genealogy Reports. The Associate and USANA agree that, but for this agreement of confidentiality and nondisclosure, USANA would not provide Downline Genealogy Reports to the Associate. During any term of the Associate Agreement and for a period of five (5) years after the termination or expiration of the Associate Agreement between Associate and USANA, for any reason whatsoever, an Associate shall not, on his/her own behalf or on behalf of any other person, partnership, association, corporation, or other entity:

- Disclose any information contained in the reports to any third party;
- Use the reports to compete with USANA; or
- Recruit or solicit any Associate or Preferred Customer listed on the reports to participate in other multilevel marketing ventures.

This provision shall survive the termination or expiration of this Agreement.

### 3.7 CORPORATION, PARTNERSHIPS, AND TRUSTS

A corporation, partnership, or trust (collectively referred to in this section as an "Entity") may apply to be a USANA Associate by submitting its Certificate of Incorporation, Partnership Agreement, or trust documents (these documents are collectively referred to as



# Policies & Procedures

## Terms and Conditions of Contract

the “Entity Documents”) to USANA along with a properly completed Corporation, Partnership DBA Registration Form. An Associateship may change its status under the same sponsor from an individual to a partnership, corporation, or trust, or from one type of entity to another. To do so, the Associate(s) must provide the entity documents and a properly completed Associate Application and Agreement and the appropriate registration form. The Corporation, Partnership DBA Registration Form must be signed by all of the directors, shareholders, partners, trustees, or other individuals having ownership interest in the business. Members of the entity are jointly and severally liable for any indebtedness or other obligations to USANA. As set forth in Section 3.13, no individual may participate directly or indirectly in more than one Associateship.

It is the responsibility of those persons involved in the Entity to conform to the laws of the state in which their Entity is formed. USANA reserves the right to approve or disapprove any Associate Application and Agreement submitted by an Entity. For the purpose of recognition and rewards, USANA will only recognise a maximum of two persons in the Entity. The Entity must nominate each year, at its Associateship renewal time, the two nominees who may be the recipients of any recognition, rewards, trips, and the like which the entity becomes entitled to participate in.

### 3.8 DECEPTIVE PRACTICES

Associates must fairly and truthfully explain the USANA products, opportunity, Binary Compensation Plan, and Policies and Procedures to prospective Associates. This includes:

- Being honest and thorough in presenting material from the USANA Binary Compensation Plan to all potential Associates;
- Making clear that income from the USANA Binary Compensation Plan is based on product sales and not merely on sponsoring other Associates;
- Making estimates of profit that are based on reasonable predictions for what an average Associate would achieve in normal circumstances;
- Representing that past earnings in a given set of circumstances do not necessarily reflect future earnings;
- Not misrepresenting the amount of expenditure that an average Associate might incur in carrying on the business;
- Not misrepresenting the amount of time an average Associate would have to devote to the business to achieve the profit estimated, and not stating that profits or earnings are guaranteed for any individual Associate;
- Never stating or inferring that you will build a Downline Organisation for anyone else;
- Never stating that profits or earnings are guaranteed for an individual Associate; and
- Never stating that any consumer, business, or government agency has approved or endorsed the USANA products or its Binary Compensation Plan.
- Never participating in downline purchasing (placing a sales order in a Business Centre other than where the sale was generated).

### 3.9 INDEPENDENT CONTRACTOR STATUS

Associates are independent contractors and are not purchasers of a franchise or business opportunity. The agreement between USANA and its Associates does not create an employer/employee relationship, agency, partnership, or joint venture between the Company and the Associate. All Associates are responsible for paying their own income and employment taxes. Associates will not be treated as employees for any purpose including, but not limited to, workers compensation,

superannuation, or insurance. Each Associate is encouraged to establish his/her own goals, hours, and methods of sale, so long as he/she complies with applicable laws and the terms and conditions of the Associate Agreement.

### 3.10 INSURANCE

#### 3.10.1 BUSINESS PURSUITS COVERAGE

You may obtain insurance coverage for your business activities.

#### 3.10.2 PRODUCT LIABILITY COVERAGE

USANA maintains insurance to protect the Company and Associates against product liability claims. USANA's insurance policy contains a “Vendors Endorsement” which extends coverage to Independent Associates so long as they are marketing USANA products in accordance with applicable laws and regulations and the Associate Agreement. USANA's product liability policy does not extend coverage to claims that arise as a result of an Associate's misconduct in marketing the products (see also Section 3.4).

### 3.11 INTERNATIONAL

Associates may sell and promote USANA's products, opportunity, and services or recruit or enrol any potential Associate or customer only in countries in which USANA is approved for business, as announced in official USANA communications. If an Associate desires to conduct business in an authorised country other than the one in which they are an Associate, he/ she must comply with all the applicable laws and regulations for that country.

### 3.12 ADHERENCE TO LAWS AND ORDINANCES

You must obey all laws that apply to your business.

### 3.13 ONE ASSOCIATESHIP

An Associate may operate, receive compensation from, or have an ownership interest, legal or equitable, as a sole proprietorship, partner, shareholder, trustee, or beneficiary, in only one USANA Associateship. However, notwithstanding this rule, your spouse may become an Associate and operate a second Associateship as long as your spouse's Associateship is placed below one of your business centres and not in a cross line sales organisation. The second business must be a bona fide independent business that is operated by the person listed on the agreement and not by the owner of the first business.

### 3.14 REPACKAGING AND RELABELLING PROHIBITED

Associates may not relabel or alter the labels on any USANA products, information, materials, or programs in any way. Associates may not repackage or refill any USANA products. USANA products must be sold in their original containers only. Such relabelling or repackaging would violate governing laws, which could result in severe criminal penalties. Civil liability may also result when the persons using the products suffer any type of injury or their property is damaged as a consequence of the repackaging or relabelling of products.

### 3.15 SALE, TRANSFER, OR ASSIGNMENT OF ASSOCIATESHIP

An Associate may not sell, transfer, or assign their Associateship rights to any person or entity without USANA's express written approval. To obtain approval, you must:

- Be an Associate in good standing as determined by USANA in its sole discretion.
- Before any transfer will be approved by USANA, any debt obligations the selling Associate has with USANA must be satisfied.
- The transferring Associate must be in good standing and not in violation of any of the terms of the Associate Agreement or these Policies and Procedures, to transfer his/her Associateship.

# Policies & Procedures

## Terms and Conditions of Contract

- The combining of Associateships is not permitted. USANA will not approve the transfer of an Associateship to any individual or Entity that is a current Associate or who has an ownership interest in any Associateship. Similarly, USANA will not approve the transfer of an Associateship to any individual or Entity that has previously had any ownership interest in, or operated, a USANA Associateship.
- No individual Business Centres may be transferred separately from the Associateship. If an Associate wishes to transfer his/her Associateship, all Business Centres must be included in the transfer.
- The transferring Associate must notify the USANA Compliance Department of his/her intent to transfer the Associateship by completing and submitting a signed Transfer of Distributorship and Associate Application Form. No changes in line of sponsorship can result from the transfer of an Associateship.
- The transferee must be eligible to become a USANA Associate and be acceptable to USANA in every respect.

### 3.16 SEPARATION OF AN ASSOCIATESHIP

If Associates wish to dissolve their jointly held Associateship, they must do so in such a way as to not disturb the income or interests of their Upline and Downline Organisations. Associates should consider the following when deciding whether or not to dissolve a jointly held Associateship:

- If a jointly owned Associateship is dissolved, anyone of the joint owners may operate the Associateship, but the other joint owners must relinquish their rights to, and interests in, the Associateship.
- USANA cannot divide a Downline Organisation, nor can it split commission or bonus cheques between the joint owners.
- If a jointly owned Associateship is dissolved, the individual(s) who relinquished ownership in the original Associateship may apply as new Associates under any Sponsor but may not purchase or join an existing Associateship.

### 3.17 SUCCESSION

If an Associate dies or becomes incapacitated, his/her rights to commissions, bonuses, and Downline Organisation, together with all Associate responsibilities, will pass to his/her successor(s). Upon death or incapacitation, the successor(s) must present the USANA Compliance Department with proof of death or incapacitation, along with proof of succession, such as a Grant of Probate or an Enduring Power of Attorney, and a properly completed Associate Application and Agreement. You may inherit and retain another Associateship even though you currently own or operate an Associateship. A non-Associate who acquires a Associateship through succession must purchase a current BDS.

### 3.18 TAXES

USANA Associates must comply with all relevant taxation legislation. Associates should seek professional advice from their own accountant or tax advisor as to how to keep proper business records and account for GST and other tax aspects of their independent business. Associates' USANA income may be subject to income tax and so must be properly accounted for in annual income tax returns. Associates conducting their USANA business in a business-like manner may also be entitled to deduct certain expenses incurred in earning their USANA income. Such expenses should be properly recorded and evidenced with receipts.

### 3.19 TELEPHONE AND E-MAIL SOLICITATION

The use of any automated telephone solicitation equipment in connection with the marketing or promotion of USANA, its products, or the USANA opportunity is strictly prohibited. The use of "boiler-room" telemarketing operations to sell products or services over the

telephone, or to recruit Associates, is strictly prohibited. Associates are also forbidden from sending unsolicited e-mail messages or "spamming" to sell products or to recruit Associates. Associates should also make themselves familiar with relevant privacy legislation.

### 3.20 TERRITORIES

There are no exclusive territories for marketing USANA products or services, nor shall any Associate imply or state that he/she has an exclusive territory to market USANA products or services.

### 3.21 TRADE SHOWS AND EXPOSITIONS

Associates may display and/or sell USANA products at trade shows and expositions, but may not display or sell USANA products at swap meets, garage sales, flea markets, or farmers' markets as these events are not conducive to the image USANA wishes to portray. USANA cannot supply inventory on consignment to Associates operating stands at such events. All literature displayed at the event must be official USANA literature and must clearly identify the individual(s) as Independent Associates.

### 3.22 TRANSFER OF SPONSORSHIP

#### 3.22.1 CONFLICTING ENROLMENTS

Every prospective Associate has the ultimate right to choose his/her own Sponsor. As a general rule, the first Associate who does meaningful work with a prospective Associate is considered to have first claim to sponsorship. Basic tenets of common sense and consideration should govern any dispute that may arise. In the event that a prospective Associate or any Associate on behalf of a prospective Associate, submits more than one Associate Application and Agreement to USANA, listing a different Sponsor on each, the Company will only consider valid the first Associate Application and Agreement that it receives, accepts, and processes. If there is any question concerning the sponsorship of an Associate, the final decision will be made by USANA.

#### 3.22.2 CROSS-LINE RAIDING

USANA will not permit any change in the line of sponsorship except in the following circumstances:

- Where an Associate has been fraudulently or unethically induced into joining USANA.
- Where an incorrect placement was made due to an Associate error, a change in the line of sponsorship can be made to correct the error where a request for a change is made within 10 days of enrolment. If you make such a request, you must also submit the written consent of your Sponsor and that person's Sponsor along with the required placement change fee. If at the time of the request you have any downline organization in place, no change will be permitted in the line of sponsorship. In the event that such a change is approved, commissions and bonuses earned will be adjusted accordingly. In no case will a change of placement be approved where a signed application has not been received by USANA.
- If you terminate your Associateship in writing you may rejoin under the Sponsor of your choice after a period of six (6) months. Following termination of your Associateship, you may participate as a Preferred Customer during the six (6) month period. In the event you terminate your Associateship, you forfeit all rights, bonuses, and commissions under your previous line of sponsoring. You may not avoid compliance with this policy through the use of DBAs, assumed names, corporations, partnerships, trusts, spouse names, fictitious ID numbers, etc.
- If you have been "inactive" (i.e., no purchases or sales of USANA products or participation in any other form as an Associate) for a period of twelve (12) successive months, you may terminate your

# Policies & Procedures

## Terms and Conditions of Contract

Associateship in writing and rejoin immediately under the Sponsor of your choice.

- Cross-line raiding is strictly prohibited. "Cross-line raiding" is defined as the enrolment or attempted enrolment of an individual or Entity that already has a current Preferred Customer or Associate Agreement on file with USANA, or who has had such agreement within the preceding six (6) calendar months within a different line of sponsorship. The use of trade names, DBAs, assumed names, corporations, partnerships, trusts, spouse names, fictitious ID numbers or any other vehicle to circumvent this policy is prohibited. Associates may not demean, discredit, or invalidate other USANA Associates in an attempt to entice another Associate to become part of the first Associate's Downline Organisation.

## SECTION 4 —

### RESPONSIBILITIES OF ASSOCIATES AND SPONSORS

#### 4.1 ONGOING SUPERVISION, TRAINING, AND SALES

Any Associate who sponsors another Associate into USANA must train the new Associate in product knowledge, effective sales techniques, the Binary Compensation Plan, and the Policies and Procedures. Associates must also supervise and monitor Associates in their Downline Organisation to ensure they conduct business professionally and ethically, promote sales properly, and provide quality customer service. As an Associate progresses through the various levels of leadership, his/her responsibilities to train and motivate downline Associates will increase.

#### 4.2 NON-DISPARAGEMENT

In setting the proper example for their downline, Associates must not disparage other USANA Associates, USANA's Products, the Binary Compensation Plan, or the Company's employees. Such disparagement constitutes a material breach of these Policies and Procedures.

#### 4.3 HOLDING APPLICATIONS OR ORDERS

All Associates must forward to USANA any forms and applications they receive from other Associates or applicant Associates, or Preferred Customers or applicant Preferred Customers, on the next business day after which the forms or applications are signed.

#### 4.4 REPORTING POLICY VIOLATIONS

Associates should report any observed violations of a policy violation to the USANA Compliance Department.

## SECTION 5 — SALES REQUIREMENTS

#### 5.1 PRODUCT SALES

The USANA Binary Compensation Plan is based upon the sale of USANA products and services to end consumers. Associates must fulfill specified personal and Downline Organisation sales requirements (as well as meet other responsibilities set forth in these Policies and Procedures) in order to be eligible for bonuses, commissions, and advancement to higher levels of achievement. The following sales requirements must be satisfied in order for Associates to be eligible for commissions:

- A minimum of seventy percent (70%) of an Associate's orders must be for Customers or end users. The sales volume of an Associate's personally enrolled Preferred Customers shall be included for the purposes of determining compliance with the seventy percent (70%) requirement. Associates may not purchase additional product until at least seventy percent (70%) of the previous order has been sold to

end consumers.

- Associates must develop or service at least five (5) customers every four-week rolling period. These customers can be either Retail Customers, Preferred Customers or any combination of the two.
- Associates are required to furnish their Retail Customers with a receipt which specifies the date of sale, the amount of sale, the items purchased, and the USANA satisfaction guarantee. Associates must retain all retail sales receipts for a period of two (2) years and furnish them to USANA at the Company's request. Records documenting the purchases of Associates' Preferred Customers will be maintained by USANA.

#### 5.2 RETAIL CUSTOMER SALES

Associates may sell USANA products at any price they choose.

All Associates must provide their Retail Customers with an official USANA sales receipt. These receipts outline the Customer Refund Warranty for USANA products, as well as any consumer protection rights.

#### 5.3 EXCESSIVE PURCHASES OF INVENTORY PROHIBITED

USANA strictly prohibits the purchase of products in unreasonable amounts solely for the purpose of qualifying for commissions, bonuses, or advancement in the Binary Compensation Plan. Associates may not purchase more than they can reasonably resell or consume in any four-week rolling period, nor encourage others to do so.

Associates are not required to carry inventory of products or sales aids other than the initial BDS. Associates who do so may find building a Downline Organisation somewhat easier because of the decreased response time in filling customer orders or in meeting a new Associate's needs. Each Associate must make his/her own decision with regard to these matters.

#### 5.4 DEPOSITS

No monies should be paid to or accepted by Associates for a sale except at the time of product delivery.

## SECTION 6 — BONUSES AND COMMISSIONS

#### 6.1 BONUS AND COMMISSION CYCLES

USANA pays commissions weekly. An Associate must review his/her commissions and report any errors or discrepancies to USANA within ten (10) days from the date of the commission cheque. Errors or discrepancies which are not brought to USANA's attention within the 10 day period will be deemed waived by the Associate.

#### 6.2 ADJUSTMENT OF BONUSES AND COMMISSIONS

Associates earn commissions and bonuses based on product sales to End Consumers. Accordingly, USANA will adjust commissions and bonuses earned from any sale when the Associate or any other End Consumer returns the sold product for a refund. USANA will deduct the sales volume attributable to the returned product from the Upline Associate's group volume within the first two (2) weeks after the refund is given.

#### 6.3 LOSS OF RIGHTS TO COMMISSIONS

You must be an active Associate and in compliance with the terms of the Associate Agreement to qualify for commissions and bonuses.

#### 6.4 UNCLAIMED COMMISSIONS

Associates who provide USANA with incomplete or invalid bank account information will have their commission and bonus retained as a credit.

# Policies & Procedures

## Terms and Conditions of Contract

Any unclaimed credit will be held in trust for 6 years, during which time USANA may periodically notify the Associates in writing of their credit balance.

## SECTION 7 – PRODUCT GUARANTEES, RETURNS, AND INVENTORY REPURCHASE

### 7.1 PRODUCT EXCHANGE GUARANTEE

USANA warrants the quality of its products and shall exchange any defective product.

Anyone returning a damaged or defective product must complete the Associate Product Exchange or Return Form.

### 7.2 THIRTY (30) DAY RETURN POLICY

#### 7.2.1 RETAIL CUSTOMERS

USANA obligates its Associates to honour the Company's 100%, unconditional, 30-day, money-back guarantee to all Retail Customers. If for any reason a Retail Customer is dissatisfied with any USANA product, he/she may return the product to the Associates from whom the product was purchased within thirty (30) days from the date of purchase for a replacement, exchange, or full refund of the purchase price. If the Retail Customer requests a refund, the Associates who sold the product to the Retail Customer must immediately refund the Retail Customer's purchase price. (Retail Customers must return merchandise to the Associates who sold it to them; USANA will not accept returned merchandise directly from Retail Customers.) The Associates, in turn, should complete a Customer Product Return Form and forward the form along with the original sales receipt and returned merchandise to USANA within ten (10) days of the Customer's return. USANA will then replace the returned merchandise with like product and ship it to the Associates. All Retail Customers must be provided with a copy of an official USANA sales receipt at the time of the sale.

#### 7.2.2 PREFERRED CUSTOMERS

USANA offers Preferred Customers and Retail Customers who order directly from an official USANA Web site a 100%, thirty (30) day, money back guarantee on their initial product order. If for any reason a Preferred Customer is dissatisfied with any USANA product, he/she may return that product to the Company within thirty (30) days for replacement, exchange, or full refund of the purchase price. If a Preferred Customer returns merchandise equal to, or exceeding 100 Sales Volume Points, this will be deemed a Voluntary Cancellation. For all other returns, the Company shall repurchase the inventory pursuant to the terms of Section 7.3. Moreover, the Company will adjust the appropriate Associates' Sales Volume pursuant to Section 6.2.

#### 7.2.3 ASSOCIATES

If an Associate elects to cancel his/her Associateship during the thirty (30) day period immediately following his/her enrolment, USANA will refund 100% of the price of the Starter Kit and all products purchased as part of the Associate's initial order (excluding shipping) provided the Starter Kit and products are resaleable. The cancelling Associate must return the products and the entire Starter Kit to USANA, shipping prepaid, along with a letter explaining that he/she wishes to terminate his/her Associateship and receive a refund. Please note that this 100% refund (less shipping) does not apply once an Associate places his/her second product order. After the first order, refunds for returned products, Starter Kits, and sales aids are made pursuant to section 7.3. If an Associate returns his/her BDS and/or merchandise equal to, or exceeding 100 Sales Volume points, for a refund, the return constitutes a Voluntary Cancellation of his/her Associate Agreement. Moreover, the Company will adjust the appropriate Associates' Sales Volume pursuant to Section 6.2.

### 7.3 ALL OTHER RETURNS

After the initial order, an Associate may return to USANA products, including promotional materials and sales aids, purchased within the past twelve (12) months for a refund of ninety percent (90%) of the purchase price (less handling and delivery charges) if the merchandise is in resaleable condition, unless otherwise required by law. Note that merchandise is NOT resaleable if it is not listed in the current USANA price list or there are less than three (3) months shelf life remaining (by reference to the expiry date).

Returns that result in refunds in excess of 100 points will result in the termination of the Associates or Preferred Customer Agreement. Moreover, USANA may deduct from the amount of the refund any commissions or bonuses the Associate may have received as a result of the products that he/she is returning.

### 7.4 PROCEDURES FOR ALL RETURNS AND REPURCHASES

To receive a refund, exchange, or replacement on product purchased an Associate must:

- Obtain a Return Number (RTNs#) from the Associate Services Department. This number must accompany all returned products;
- Return the product with the original confirmation of order to USANA;
- Use proper shipping carton(s) and packaging materials to return the product to USANA. The Associate is responsible for tracing their return shipment should that be necessary.

If an Associate returns product from a Retail Customer, he/she must:

- Send the product to USANA within ten (10) days of the customer's return. The package must be accompanied by a completed Customer Product Return Form, a copy of the original sales receipt, and the unused portion in the original container.
- Only the Preferred Customer or Associate who ordered the product from USANA may return it.
- USANA is not liable for items lost in transit.

## SECTION 8 – DISPUTE RESOLUTION AND DISCIPLINARY PROCEEDINGS

### 8.1 DISPUTES BETWEEN ASSOCIATES

#### 8.1.1 GRIEVANCES AND COMPLAINTS

When an Associate has a grievance or complaint with another Associate regarding any practice or conduct in relationship to their respective USANA businesses, the complaining Associate should first discuss the problem with the other Associate. If this does not resolve the problem, the complaining Associate should report the problem to his/her upline Gold Director to resolve the issue at a local level. If the matter cannot be resolved, it must be reported in writing to the USANA Compliance Department. The Compliance Department will review the complaint and make a final decision. The complaint should identify specific instances of alleged improper conduct and, to the extent possible, identify the relevant dates on which the event(s) complained of took place, the location(s) where they occurred, and all persons who have first hand knowledge of the improper conduct.

#### 8.1.2 COMPLIANCE DEPARTMENT REVIEW

Upon receipt of a written complaint, the USANA Compliance Department will investigate the matter, review the applicable policies, and render a decision on how the dispute shall be resolved. The Compliance Department may also issue disciplinary sanctions consistent with the provisions of Section 8.3.



# Policies & Procedures

## Terms and Conditions of Contract

### 8.2 DISPUTES BETWEEN USANA AND ASSOCIATES

#### 8.2.1 MEDIATION AND ARBITRATION

All unresolved disputes and claims relating to USANA, its Binary Compensation Plan, its Products, the rights and obligations of its Associates and USANA, or any other claim or cause of action relating to product purchase(s) or performance, either of an Associate or of USANA under the Associate Agreement, shall first be put before a mediator acceptable to both parties for resolution. Each party shall bear its own costs in the mediation. Should mediation fail to resolve the dispute then it shall be put before arbitration in either Sydney, Australia or Auckland, New Zealand (as is appropriate). Each party to the arbitration shall be responsible for their own costs, including legal and filing fees. This agreement to mediate and, failing mediation, arbitrate, will survive any cancellation or expiration of the Associate Agreement.

Nothing in these Policies and Procedures shall prevent USANA from applying to and obtaining from any court having jurisdiction a writ of attachment, temporary injunction, preliminary injunction, permanent injunction, or other available relief to safeguard and protect USANA's interest prior to, during, or following the filing of any arbitration or other proceeding, or pending the rendering of a decision or award in connection with any arbitration or other proceeding.

The existence of any Associate claim or cause of action against USANA does not preclude USANA from enforcing the Associate's covenants and agreements contained in the Associate Agreement.

#### 8.2.2 JURISDICTION, VENUE, AND CHOICE OF LAW

The jurisdiction and venue of any matter pursuant to this agreement shall reside in Sydney, New South Wales, Australia or Auckland, New Zealand, according to the country in which the Associate opened his/her business.

#### 8.3 DISCIPLINARY ACTIONS

Violation of any of the terms and conditions of the Associate Agreement, or any illegal, fraudulent, deceptive, or unethical business conduct by an Associate, may result, at USANA's discretion, in one or more of the following sanctions:

- A written warning, clarifying the meaning and application of a specific policy or procedure, and advising that a continued breach will result in further sanctions;
- Probation, which may include requiring an Associate to take remedial action and will include follow-up monitoring by USANA to ensure compliance with the Agreement;
- Withdrawal or denial of an award or recognition, or restricting participation in USANA-sponsored events for a specified period of time or until the Associate satisfies certain specified conditions;
- Suspension of certain privileges of Associateship, including but not limited to placing a product order, participating in USANA programs, progressing in the Binary Compensation Plan, or participating as a Sponsor (including participating as an International Sponsor), for a specified period of time or until the Associate satisfies certain specified conditions;
- Withholding commissions or bonuses for a specified period of time or until the Associate satisfies certain specified conditions;
- Imposing fair and reasonable fines or other penalties in proportion to actual damages incurred by USANA and as permitted by law; and/or
- Terminating an Associateship.

## SECTION 9 — ORDERING

### 9.1 ORDERING METHODS

Associates may place orders by telephone, fax, mail, e-mail, through the Internet, or through the Autoship Program. Call Associate Services for your Personal Identification Number (PIN) to order through the Internet.

When ordering by phone — be prepared to present all information requested on the Associate Product Order Form. Payments must be made by Electronic Funds Transfer (Australia only) or credit card.

When ordering by fax — print information legibly on the order form and use the white copy to fax. Payments may be made by Electronic Funds Transfer (Australia only) or credit card.

When ordering by mail—send completed white order form with the payment to:

**USANA Australia Pty Ltd**  
3 Hudson Avenue  
CASTLE HILL NSW 2154

or

**USANA Health Sciences (NZ) Corporation**  
25 Canaveral Drive  
Albany, Auckland

Keep a copy of the order form for your records. Payment may be made by credit card, bank cheque, money order, Electronic Funds Transfer (Australia only), or personal cheque.

### 9.2 AUTOSHIP PROGRAM

Associates and Preferred Customers in good standing may participate in the USANA Autoship Program. An Associate may enrol in this program through their Associate Application and Agreement or by completing an Associate Autoship Agreement, identifying the products you wish USANA to automatically send to you each four-week rolling period. The credit card or bank account from which you authorise payment will be automatically charged the amount of the order plus applicable shipping. Associates must ensure that they have adequate funds in their account the week prior to the processing of their Autoship order.

### 9.3 GENERAL ORDER POLICIES

On mail orders with invalid or incorrect payment, USANA will attempt to contact the Associate by telephone and/or mail to try to obtain payment. If these attempts are unsuccessful after five (5) working days, the order will be returned unprocessed. No C.O.D. orders will be accepted. USANA maintains no minimum order requirements.

Orders for products and sales aids may be combined.

### 9.4 PURCHASING USANA PRODUCTS

Each Associate must purchase his/her products directly from USANA in order to receive the sales volume credits associated with that purchase.

### 9.5 BACK ORDER POLICY

As a general rule, USANA will not back order out-of-stock items. However, USANA may back order Autoship items, if necessary.

### 9.6 SHIPPING DISCREPANCIES AND DAMAGE CLAIMS

Failure to notify USANA of any shipping discrepancy or damage within thirty (30) days of shipment will cancel an Associate's right to request a correction. Follow the procedure for correcting a shipping discrepancy or damage claim as outlined on the Associate Product Exchange or Return Form.

# Policies & Procedures

## Terms and Conditions of Contract

### SECTION 10 — PAYMENT AND SHIPPING

#### 10.1 METHODS OF PAYMENT

All forms and authorisations must be accompanied by the Associate's signature.

##### 10.1.1 BANK CHEQUE OR MONEY ORDER

Make payable to USANA for the full amount of your order, including shipping and handling charges. Associates will be charged an administration and bank fee for any cheque that is returned unpaid. This will be in addition to any charge made by the Associate's bank.

##### 10.1.2 PERSONAL CHEQUE

USANA does not accept personal cheques as payment for first, initial orders.

Same conditions as Bank Cheque or Money Order. However, the cheque must not be stale or post-dated.

Any cheque or Electronic Funds Transfer returned unpaid to USANA may immediately suspend payment privileges by personal cheque or Electronic Funds Transfer. Failure to promptly resolve a returned cheque may result in termination. Any uncollected amount may be deducted from future commissions.

USANA may choose to authorise your personal cheque through a cheque guarantee service. In the event the authorisation is attempted and denied by the service, the order will not be accepted.

##### 10.1.3 CREDIT CARDS

USANA accepts VISA, MasterCard, Bankcard, Diners Club, and American Express (Visa and Mastercard only in New Zealand). In the event that the charge is declined, the order will not be accepted. Using someone else's credit card without their express, written permission is prohibited and may be grounds for involuntarily cancellation of an Associateship.

##### 10.1.4 ELECTRONIC FUNDS TRANSFER PAYMENT PROGRAM

The Electronic Funds Transfer Program authorises USANA to draft against an Associate's or Preferred Customer's bank account for the amount of the order. In New Zealand, the Electronic Funds Transfer Program is only available for Autoship orders. To participate in this program, please complete the AutoPay Agreement Form and post an original copy to the company along with confirmation of bank account details. This facility takes ten (10) days to clear through the banks.

#### 10.2 RETURNED CHEQUES, INSUFFICIENT FUNDS, AND DECLINED CREDIT

All cheques and electronic funds transfers returned unpaid by the bank will incur a charge made up of recovery of the bank's charge and a handling fee. All future orders from that Associate must be accompanied by a money order or bank cheque. Any outstanding balance owed to USANA will be deducted from subsequent commission or bonus. Failure to resolve any outstanding balance owed to USANA may result in the involuntary cancellation of associateship.

#### 10.3 AUTOSHIP PROGRAM

- Once initiated, the program will remain in effect until a written cancellation is received at the USANA Corporate Office.
- Any changes or cancellation must be received in writing no later than the Tuesday of the week prior to the Autoship.
- Participation in the Autoship Program is purely optional and does not relieve an Associate from compliance with the retail sales requirement or from compliance with the seventy percent (70%) resale rule.

### SECTION 11 — ASSOCIATE SERVICES

#### 11.1 CHANGES TO THE ASSOCIATESHIP

##### 11.1.1 IN GENERAL

Each Associate must immediately notify USANA of all changes to the information contained on the Associate Application and Agreement. Associates may modify their existing Associate Agreement by submitting a written request, a properly executed Associate Application and Agreement, and appropriate supporting documentation.

##### 11.1.2 ADDITION OF CO-APPLICANTS

When adding a co-applicant to an existing Associateship, USANA requires both a written request and a properly completed Associate Application and Agreement containing the applicant's and co-applicant's signatures. The modifications permitted within the scope of this paragraph do not include a change of sponsorship.

#### 11.2 DOWNLINE GENEALOGY REPORTS AND COMMISSION STATEMENTS

##### 11.2.1 DOWNLINE GENEALOGY REPORTS

Downline Genealogy Reports are optional and may be ordered by calling Order Express and having Downline Management added to your Autoship. Reports may also be ordered by mail by filling out and submitting a Downline Genealogy Report General Request form to USANA. When an Associate orders a Downline Genealogy Report, USANA will deduct applicable processing charges from the Associate's commission earnings. Downline Genealogy Reports contain trade secret information which is proprietary to USANA Health Sciences, Inc. Refer to section 3.6.2 for restrictions on using these reports.

##### 11.2.2 COMMISSION STATEMENTS/TAX INVOICES

Commission Statements/Tax Invoices are printed for all active Associates receiving a commission cheque and are mailed with the commission cheques. Commission Statements/Tax Invoices are not optional.

#### 11.3 ERRORS OR QUESTIONS

In the event an Associate has questions about or believes that any errors have been made regarding commissions, bonuses, Downline Genealogy Reports, orders, or charges, the Associate must notify USANA within thirty (30) days of the date of the purported error or incident in question. USANA will not be responsible for any error, omission, or problem not reported within thirty (30) days.

#### 11.4 RESOLVING PROBLEMS

If you have any questions regarding shipments, orders, commissions and bonuses, or the Binary Compensation Plan, please write or call the USANA Support Services.

### SECTION 12 — INACTIVITY AND CANCELLATION

#### POLICIES

##### 12.1 INACTIVITY

Associates who do not meet the Personal Sales Volume requirements specified in the USANA Binary Compensation Plan for any four-week rolling period will not receive a commission and will lose accumulated Sales Volume for the sales generated through their Downline Organisation for that four-week rolling period.

##### 12.2 INVOLUNTARY CANCELLATION

An Associate's violation of any of the terms of the Associate Agreement, including any amendments which may be made by USANA in its sole

# Policies & Procedures

## Terms and Conditions of Contract

discretion from time to time, constitutes a material breach of the Associate Agreement and may result, at USANA's option, in any of the Disciplinary Actions listed in Section 8.3, including cancellation of his/her Associateship. Involuntary Cancellation of an Associateship will result in the Associate's loss of all rights to his/her Downline Organisation and any bonuses and commissions generated thereby. An Associate whose Agreement is involuntarily cancelled shall receive commissions and bonuses only for the last full calendar week prior to termination.

When an Associateship is involuntarily cancelled, the Associate will be notified by certified mail at the address on file with the Company. Cancellation is effective on the date on which written notice is mailed via certified mail, return receipt requested, to the Associate's last known address or when the Associate receives actual notice of cancellation, whichever occurs first. In the event of such Involuntary Cancellation, the Associate must immediately cease to representing himself/herself as a USANA Associate.

The Associate may appeal the termination to the USANA Compliance Department. The Associate's appeal must be in writing and must be received by the company within fifteen (15) calendar days of the date of USANA's cancellation letter. If USANA does not receive the appeal within the fifteen-day period, the cancellation will be final. The Associate must submit all supporting documentation with his/her appeal correspondence. The written appeal will be reviewed by the Compliance Department. If the Associate files a timely appeal of termination, the Compliance Department will review and reconsider the termination, consider any other appropriate action, and notify the Associate in writing of its decision. This decision of the Compliance Department will be final.

An Associate whose Associate Agreement is involuntarily cancelled may reapply to become an Associate twelve (12) calendar months from the date of cancellation. Any such Associate wishing to reapply must submit a letter to the USANA Compliance Department setting forth the reasons why he/she believes USANA should allow him or her to operate an Associateship. It is within USANA's sole discretion whether to permit such an individual to again operate a USANA business.

### 12.3 WRITTEN CANCELLATION

An Associate or a Preferred Customer may cancel his/her Agreement with USANA at any time and for any reason by providing written notice to USANA indicating his/her intent to discontinue his/her Associateship or Preferred Customer status. The written notice must include the Associate's or Preferred Customer's signature, printed name, address, and appropriate identification number.

### 12.4 EFFECT OF CANCELLATION

Following an Associate's voluntary or involuntary cancellation, such former Associate shall have no right, title, claim, or interest to the Downline Organisation which he/she operated or any bonus and/or commission from the sales generated by the organisation. Following an Associate's voluntary or involuntary cancellation, the former Associate shall not hold himself or herself out as a USANA Associate, shall not have the right to sell USANA products or services, must remove any USANA sign from public view, and must discontinue using any other materials bearing any USANA logo, trademark, or service mark.

An Associate who is voluntarily cancelled will receive commissions and bonuses only for the last full calendar week prior to his/her cancellation. An Associate whose Agreement is involuntarily cancelled will receive commissions and bonuses only for the last full calendar week prior to cancellation, unless monies were withheld by the Company during an investigation period. If an investigation of the Associate's conduct results in his/her involuntary cancellation, he/she shall not be entitled to recover withheld commissions and bonuses.

Upon request, an Associate who voluntarily cancels his/her Associate Agreement may become a Preferred Customer by submitting a Preferred Customer Agreement to USANA.

## SECTION 13 — DEFINITIONS

### DEFINITION OF TERMS

**Active Associate** — An Associate who satisfies the minimum Personal Sales Volume requirements as set forth in the USANA Binary Compensation Plan.

**Associate** — An individual who has executed an Associate Application and Agreement which has been accepted by USANA. Associates are required to meet certain qualifications and are responsible for the training, motivation, support, and development of the Associates in their respective Downline Organisations. Associates are entitled to purchase USANA products at Associate prices, enrol Preferred Customers and new Associates, and take part in all Company Associate programs.

**Associate Agreement** — The term Associate Agreement, as used in the Policies and Procedures, refers to the Associate Application and Agreement, USANA's Policies and Procedures, and the Binary Compensation Plan.

**Autoship** — To track when your Autoship will be processed, call Associate Services for the number of your Autoship week. If your week is # 3, for example, find the # 3 on the calendar of the current month. Your Autoship will be processed on Sunday of that week and every # 3 week forward unless there is a cancellation. Credit Cards are billed on the Sunday at the beginning of the week your Autoship is scheduled. Nominated bank accounts are billed on the Wednesday prior to the week your Autoship is scheduled.

"Business Centre" is defined in the USANA Binary Compensation Plan.

**Business Development System (BDS)** — A selection of USANA training materials and business support literature that each new Associate purchases. The BDS is sold to Associates at USANA's cost. (referred to as a Starter Kit in these Policies and Procedures.)

**Cancellation** — Termination of an individual's Associate Agreement or Preferred Customer Agreement. Cancellation may be either voluntary or involuntary.

**Involuntary Cancellation** — The termination of an Associate or Preferred Customer Agreement which is initiated by USANA.

**Voluntary Cancellation** — The termination of an Associate or Preferred Customer Agreement instituted by the Associate or Preferred Customer who elects to discontinue his/her affiliation with USANA for any reason.

**Commissionable Products** — All USANA products on which commissions and bonuses are paid. Business Development Systems and sales aids are not commissionable products.

**Company** — The term "Company" as it is used throughout these Policies and Procedures, and in all USANA literature, means USANA Australia Pty Ltd and USANA New Zealand Health Sciences (NZ) Corporation.

**Distributor** — See "Associate".

**Downline Leg** — The individuals enrolled under one side of a Business Centre and their respective Downline Organisations represent one "leg" in your Downline Organisation.

**Downline Organisation** — An Associate's Downline Organisation consists of all Preferred Customers and Associates below him/her.

**End Consumer** — A person who purchases USANA products for the purpose of personally consuming them.

# Policies & Procedures

## Terms and Conditions of Contract

**Four-Week Rolling Period** — The four (4) Fridays after an Associate places a product order of 100 points or more. If an Associate places an order on a Friday, the Friday on which the order is placed counts as the first of the four (4) Fridays in the Associate's volume period.

(See Four-Week Rolling Period Calendar for further clarification.)

The maintenance of an Associate's active status during a volume period is critical to the Associate's eligibility to earn bonuses and commissions.

When 100 Sales Volume Points or more are produced, count five (5) Fridays on the calendar to place your next order to remain qualified. (The Friday of the week you ordered is the 1st Friday.)

**Genealogy Report** — A report generated by USANA that provides critical data relating to the identities of Associates and sales information of each Associate's Downline Organisation. This report contains proprietary trade secret information. (See Section 3.6.2).

**Group Sales Volume** — The commissionable volume of USANA products generated by an Associate's Downline Organisation. Group Sales Volume does not include the Personal Sales Volume of the subject Associate. (The BDS and sales aids have no Sales Volume.)

**Left Side Group Sales Volume (GSV)** — The commissionable volume of products sold in the left downline leg of a particular Business Centre.

**Right Side Group Sales Volume (GSV)** — The commissionable volume of products sold in the right downline leg of a particular Business Centre.

**Immediate Household** — An Associate, his or her spouse or defacto, and dependants.

**Leg** — See "Downline Leg".

**Level** — The layers of downline Associates in a particular Associate's Downline Organisation. This term refers to the relationship of an Associate relative to a particular upline Associate, determined by the number of Associates between them who are related by sponsorship.

**Official USANA Material** — Literature, audio or video tapes, and other materials developed, printed, published, or distributed by USANA.

**Personal Sales Volume (PSV)** — The commissionable value of products purchased by an Associate.

**Preferred Customer** — A person who has executed a USANA Preferred Customer Agreement. Preferred Customers are not authorised to resell USANA products or participate in the USANA Binary Compensation Plan.

**Resaleable** — Goods shall be deemed "resaleable" if each of the following elements is satisfied:

- They are unopened and unused;
- Packaging and labelling has not been altered or damaged;
- The product and packaging are in a condition which permits the Company to sell the merchandise at full Associate or Preferred Customer price;
- Products are returned to USANA within ninety (90) days from the date of the original order;
- The product expiry date is at least three (3) months away;
- The product contains current USANA labelling; and
- The product is listed in the current USANA price list.

**Retail Customer** — A person who orders USANA products through a USANA Associate for consumption.

**Sponsor** — An Associate who enrolls a new Associate or Preferred Customer and is listed as the Sponsor on the Associate Application and Agreement. As the term implies, the Sponsor has a responsibility to assist those he/she brings into the business.

**Titled Associate** — An Associate who has received commission and a title (i.e., Sharer or Believer) for group volume sales.

**To qualify for 3 Business Centres** — You must generate 450 points in sales volume within six (6) Fridays. Start counting from the Friday of the week your application was received.

**Upline** — The term refers to the Associate or Associates above a particular Associate in a sponsorship line to the company. Conversely stated, it is the line of Sponsors that links any particular Associate to the Company.

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